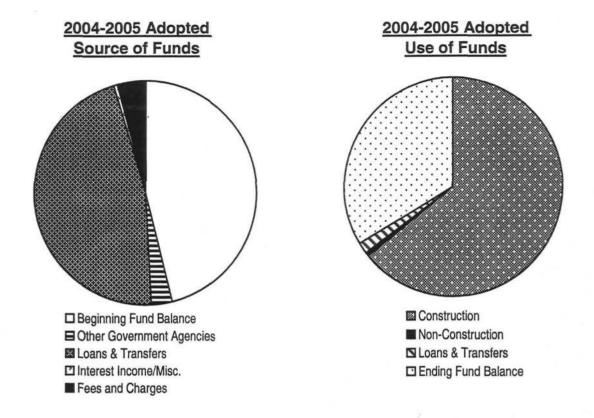
2004-2005 CAPITAL BUDGET

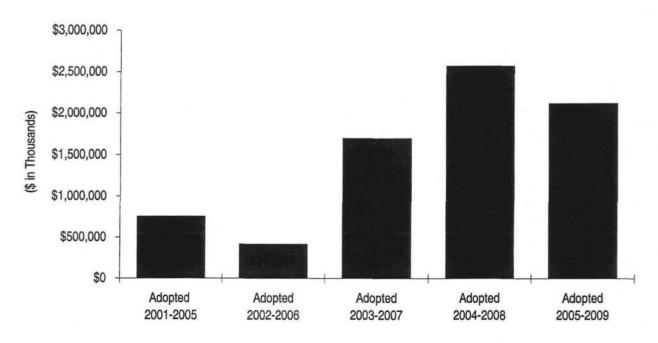
2005-2009 CAPITAL IMPROVEMENT PROGRAM

AIRPORT

AIRPORT CAPITAL PROGRAM 2005-2009 Capital Improvement Program

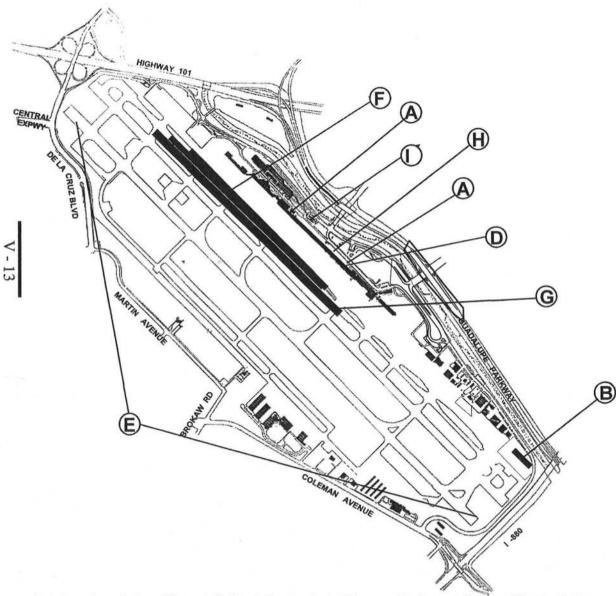








2005-2009 CAPITAL IMPROVEMENT PROGRAM*



MINETA SAN JOSE INTERNATIONAL AIRPORT

2004-2005 Projects

North Concourse Building

B Checkpoints Terminal A & C

C North Concourse Building

D Electrical Distribution

E 30L Extension

F Taxiway Z Alignment

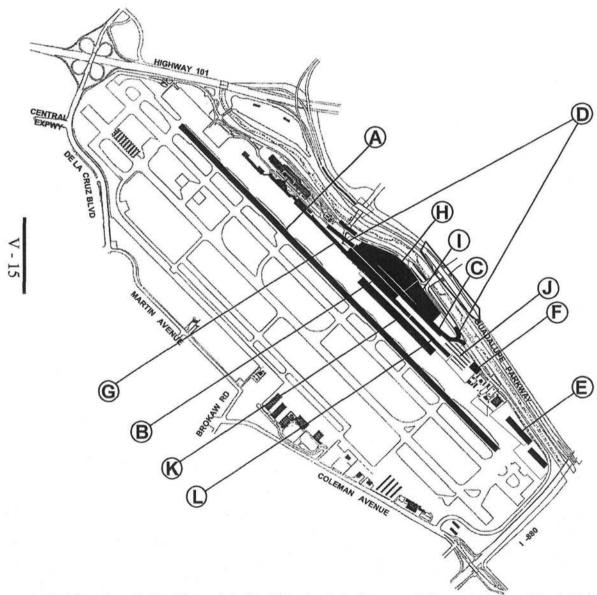
G Utility Infrastructure

H North Concourse Roadway Mitigation

Relocate Parking Control Buildings



2005-2009 CAPITAL IMPROVEMENT PROGRAM*



Includes only a selection of the most significant Airport projects. Please see the Source & Use for a full project listing.

MINETA SAN JOSE INTERNATIONAL AIRPORT

2005-2009 Projects

1			
K	Tarrison	/ Danama	Am . mAi m .m
	Taxiway \	r Kecons	arruction

B Central Terminal Building

C Double Level Roadway Deck

D Double Level Roadway Ramps

E Belly-Freight Facility

F New Central Utility Plant

G North Concourse Building

H Rental Car Garage

I Short Term Public Parking Garage

J Short Term Interim Red Parking Lot

K South Apron Replacement

L South Concourse Building



2005-2009 Adopted Capital Improvement Program

Overview

Introduction

The Norman Y. Mineta San José International Airport's (SJC) 2005-2009 Adopted Capital Improvement Program (CIP) totals \$2.1 billion and contains approximately 140 capital This budget was developed to projects. implement the Airport's vision statement, which sets forth goals to provide the best service to its customers, community and business partners. Taken together, each of the principles outlined in the vision statement represents the values cultivated in all aspects of Airport operations, including development and maintenance of capital infrastructure.

This program is part of the Aviation Services City Service Area (CSA) and supports the following outcomes: Airport is the Region's First Choice for Air Transportation Services; Travelers Have a Positive Guest Experience While Using the Airport; Businesses Consider the Airport as a Partner in Supporting the Successes of the Regional Economy; and the Airport is Considered to be a "Good Neighbor" by the Community.

The program outlined in this CIP is focused on the implementation of security-driven projects in the near term, with other projects programmed to coincide with anticipated passenger demand levels. Based on continuing flat activity levels, the anticipated schedules for many of these demand-driven projects have been pushed out by one or more years from the timelines presented in 2004-2008 CIP. The uncertainties associated with additional security directives, the condition of the local and national economy, changes in the airline industry, and pending airline lease negotiations continue to impact the timing of and

approach to these projects with the possibility of projects moving either forward or outward based on demand. However, certain projects must be constructed in order to comply with the federal Aviation and Transportation Security Act of 2001 (ATSA). The largest of these security projects is the North Concourse Building, which includes a permanent, automated in-line explosive detection baggage screening system and associated security screening space.

Program Priorities and Objectives

The 2005-2009 Adopted CIP for the Airport is consistent with the priorities and objectives set out in the Aviation Services CSA. The Adopted Budget reflects the balancing efforts needed to reduce service and non-security capital program costs while implementing the necessary improvements to meet new federal security requirements. The Aviation Services CSA has identified the following strategic priorities for 2004-2005. These priorities are also consistent with the outcomes of the CSA:

- Ensuring Security and Regulatory Compliance
- Implementing Neighborhood Outreach and Support
- Planning/Implementation for Development
- Efficient Customer Service Delivery
- Setting Reasonable Airline Rates and Charges
- Valuing Employee Resources

The slowdown in the air service area has eased some operational constraints on implementing Airport capital projects while creating increased difficulties in other areas. Activity decreases experienced as a result of

2005-2009 Adopted Capital Improvement Program

Overview

Program Priorities and Objectives (Cont'd.)

the terrorist attacks of September 11, 2001 and the economic downturn may allow construction work to have less impact on customer service. However, at the same time, new security mandates at checkpoints, gates, parking facilities and on the roadways have actually either increased customer wait times or changed the customer service experience.

The passage of the Airport Security and Traffic Relief Act (ASTRA) ballot measure in March 2003 and the finding of ASTRA compliance in March 2004 enabled the Airport to implement significant infrastructure improvements to support long-term growth with fewer operational impacts, and to address the immediate requirement to provide for mandated security and customer efficiency needs.

The Adopted CIP also funds other security projects, which include construction of the Airline Maintenance Facility, Air Cargo Screening, Security Identification Display Area Improvements, and the Belly-Freight Facility, as well as associated infrastructure and utility improvements needed to support the North Concourse Building.

Consistent with the City's commitment to neighborhood services, the Adopted CIP continues to make the Acoustical Treatment (ACT) Program a priority. Noise mitigation funding is programmed in the CIP to test and treat eligible schools and dwellings in the Airport noise affected area.

Sources of Funding

In the 2005-2009 Adopted CIP, funding sources for Airport capital projects consist of the following:

- \$1.7 billion from bond proceeds (reflected as a transfer from Airport Fiscal Agent Fund);
- \$224.5 million from fund balance;
- \$109.8 million from Passenger Facility Charges (PFCs);
- \$29.2 million in transfers from Airport Operating Funds;
- \$25.0 million in Airport Improvement Program (AIP) Grants;
- \$11.9 million from interest earnings;
- \$664,000 from Tenant Reimbursements.

The Airport's passenger activity has remained depressed as air service has suffered not only from the continuing effects of the terrorist attacks of September 11, 2001, but also from the effects of the lingering national and local economic recession. As a result, PFC revenue, which is driven by enplanement activity at the Airport, is expected to remain flat throughout the next fiscal year.

Transfers from Airport operating funds are also budgeted at lower amounts than in previous CIPs due to the financial constraints in the Airport's Operating Budget, necessitated by maintaining reasonable airline rates and charges.

Federal Airport Improvement Program (AIP) grants represent secured funds for which a

2005-2009 Adopted Capital Improvement Program

Overview

Sources of Funding (Cont'd.)

grant agreement or a letter of intent (LOI) has already been executed.

The Airport continues to actively pursue additional grant opportunities to offset the costs of the Adopted CIP.

Given both the size of the Adopted CIP and the decline in Airport revenues, much of the Airport's Adopted Capital Program relies on the issuance of long-term debt for funding. Repayment of Airport debt is typically made from PFCs, AIP grants, Customer Facility Charges (CFCs), and airline rates and charges. The impact of planned debt issuances in the latter years of the CIP on these revenue sources is currently being refined. Since the majority of the CIP is comprised of demand-driven projects, the planned program outlined in the CIP may be adjusted in the future. As a result, the amount of debt issued in the 5-year period may vary.

Program Highlights

Airport Security

The implementation of the security projects will be the major focus for the Airport. ATSA imposed a number of new mandates that will require a significant capital investment. The Transportation Security Administration (TSA), the organization created to enforce the ATSA, is empowered to compel the Airport to meet the mandated security requirements or suspend operations in the event of noncompliance.

A total of \$336.4 million is therefore programmed in this CIP to implement the mandated security improvements in an orderly and cost effective way. Specific projects include the following:

- \$265.7 million is included for the construction of the North Concourse Building, which includes the baggage screening equipment, security screening space, ticketing and baggage claim operations, holdrooms and jet bridge gates;
- \$26.3 million is approved for the construction of the Airline Maintenance Facility, the Belly-Freight Facility and demolitions and refurbishments associated with these two buildings, which will provide facilities for belly cargo operations and ground support equipment displaced by the implementation of ATSA requirements;
- \$28.2 million is budgeted for the infrastructure and utility improvements needed to support the North Concourse Building;
- \$10.1 million is budgeted for design support of the Security Identification Display Area (SIDA) Improvements, a security project that will reconfigure the airside security perimeter and access control systems as mandated by the TSA;
- \$6.1 million is budgeted for construction support for the Air Cargo Screening building, which will provide space for the cargo explosive detection screening operations.

2005-2009 Adopted Capital Improvement Program

Overview

Program Highlights (Cont'd.)

Airport Master Plan

On December 6, 1999 the City received the Federal Aviation Administration (FAA) Record of Decision on the Airport Master Plan Environmental Impact Statement and approval of the Airport Layout Plan. Since that time, the Airport has completed selected projects, including the reconstruction and extension of Runway 30R, the reconstruction of Runway 30L, the construction of the International Arrivals Facility, roadway improvements and a new public parking lot on the Airport's west side. In addition, the Cargo Ramp Security Taxiway and Improvement project and the Skyport Grade Separation projects were completed in summer 2004. Funding for the completion of the 30L Extension project is included in this CIP.

Since the Airport's revenue streams and activity levels have remained depressed over the last several years, the schedules for many of the remaining demand-driven projects have been adjusted outwards. These schedules will continue to be adjusted as necessary to keep the anticipated demand for services and available revenue streams in alignment.

Airfield Facilities

The Adopted CIP allocates \$70.7 million towards projects that will improve airfield infrastructure to accommodate the demands for air carrier and general aviation operations safety. Airfield improvement projects include Runway 30L Extension, Taxiway Y Reconstruction, Taxiway Z Alignment, South

Apron Replacement, and ACM Site Preparation.

Aviation Support - Environmental

The Adopted CIP includes funding for acoustical treatment within the 65 decibel Community Noise Equivalent Level (CNEL) noise contour. These projects include eligible dwellings within the projected 2006 noise exposure area, which was approved by the Federal Aviation Administration in September 2002, as well as the City's updated 2010 65 decibel CNEL contour projection. projections allow an increased number of residences south of the Airport to receive acoustical treatment. Included in this Adopted CIP is a total of \$56.2 million to continue treatment for approximately 1,200 residences.

Aviation Support Facilities - General

The Adopted CIP provides \$200.7 million to fund various new infrastructure improvements and to renovate, maintain or upgrade existing facilities. This is a significant increase from the 2004-2008 Adopted CIP of \$85.0 million and includes the following projects:

- \$57.1 million is budgeted to design and construct an Electrical Distribution System that meets the increased electrical demand of future year facilities;
- \$50.4 million is budgeted for the design and construction of a Hydrant Fuel System;

2005-2009 Adopted Capital Improvement Program

Overview

Program Highlights (Cont'd.)

Aviation Support Facilities - General (Cont'd.)

- \$46.2 million is budgeted for landside improvements such as landscaping, walkways, planters and lighting in the terminal area;
- \$26.2 million is budgeted for a New Central Utility Plant to support the increased utility load demands for future year terminal and concourse facilities;
- \$4.6 million is budgeted for the Airport Boulevard Landscaping project to provide low maintenance shrubs and groundcover as well as irrigation along Airport Boulevard;
- Other minor projects are also budgeted to replace equipment and signs, as well as to address minor unplanned infrastructure needs.

Aviation Support Facilities - Parking

In the Adopted CIP, a total of \$319.4 million is allocated to design and construct parking structures. Specific projects include the following:

- \$175.0 million for the Rental Car Garage Phase 1, South Concourse to begin the first phase of what will be a multi-level 10,000 space, rental car parking garage (the completion date for the Rental Car Garage has been adjusted from 2008-2009 to 2012-2013);
- \$132.4 million for a Short-Term Public Parking Garage to provide a

- multi-level 4,000 space parking garage facility in front of the terminal facilities;
- \$8.3 million for a Short-Term Interim Red Parking Lot to enable the relocation of the current Red Parking Lot, which will allow for the construction of the Central Terminal Building and the Short-Term Public Parking Garage.

Aviation Support Facilities - Transportation

In the Adopted CIP, a total of \$370.6 million is allocated for design and construction of roadway improvements. A number of these projects have also been re-phased to balance anticipated demand and available resources as well as coincide with the timing of the terminal development. Specific projects include the following:

- \$325.5 million to begin construction on the Double Level Roadway Ramps, which will connect the Double Level Roadway Deck and grade level at Airport Boulevard (the completion date for this project has been adjusted from 2007-2008 to 2009-2010);
- \$16.1 million for North Concourse Roadway Mitigation, which will complete needed roadway and curbside improvements resulting from the North Concourse Building implementation;

2005-2009 Adopted Capital Improvement Program

Overview

Program Highlights (Cont'd.)

<u>Aviation Support Facilities – Transportation</u> (Cont'd.)

- \$13.9 million to begin construction on the Double Level Roadway Decks to separate arriving traffic from departing traffic (the completion date for this project has been adjusted from 2006-2007 to 2012-2013);
- \$4.8 million for an Airport Boulevard Express Exit Lane, which will provide a bypass of Terminal A and C for traffic exiting the Airport north of Airport Parkway;
- \$2.5 million for the South Concourse Roadway, which will design and construct a temporary roadway system to serve the South Concourse;
- Other transportation-related projects budgeted to provide funding for planning, feasibility studies, annual maintenance, and other necessary roadway improvements.

Passenger Terminal Facilities

The Consolidated Terminal concept, which includes the North Concourse Building, the South Concourse Building and the Central Terminal Building, was approved by the City Council in November 2001. The design and construction of the North Concourse Building is included in this CIP as part of the Airport security projects. In the Adopted CIP, a total of \$317.5 million is budgeted to design and construct the South Concourse Building and \$43.1 million is budgeted to

begin the planning and design of the Central These projects are being Terminal. undertaken in recognition of the fact that current terminal facilities cannot serve the long-term passenger growth that is anticipated at the Airport. In addition, the current terminal facilities were not designed to accommodate new passenger flows caused by enhanced security measures. Although the CIP shows plan implementation of the Consolidated Terminal Concept, actual implementation may vary based on the need to meet air carrier activity demand. Since Passenger Terminal Facility projects are demand driven, a majority of the project schedules have been extended by one or more years. Once passenger activity and revenue levels return, some project schedules could be moved forward.

Major Changes from the 2004-2008 Adopted CIP

Since the Airport revenue stream continued tracking at 1998-1999 levels throughout 2003-2004 and remains depressed today, the Adopted CIP is based on a re-phasing of the Master Plan. As discussed above, the schedules for many of the demand-driven projects are pushed out by a year or more. These schedules could be moved forward, however, if and when the Airport experiences stronger passenger demand.

2005-2009 Adopted Capital Improvement Program

Overview

Operating Budget Impact

A total of 10 projects in the 2005-2009 Adopted CIP have an impact on the operating budget, which is entirely supported by the Airport Maintenance and Operations Fund. The following table shows the net impact of these projects. All projects anticipated to be operational in 2004-2005 have been addressed in the 2004-2005 Adopted Operating Budget. Additional detail on the individual projects with operating budget impacts is provided in Attachment A at the conclusion of this overview and in the Project Detail Pages.

The North Concourse Building project comprises the majority of the operating and maintenance expenses and begins in 2006-2007, which is when this facility becomes fully operational. In 2007-2008, the Airport's operating expenditures are projected to increase by approximately one-third as compared to 2004-2005. These additional costs, which are subject to change based on activity levels and revenue streams, will be factored into the development of the Airport's future operating budgets.

Net Operating Budget Impact Summary (000's)

	2005	<u>5-2006</u>	20	06-2007	20	07-2008	20	08-2009
Airport Capital Projects	\$	107	\$	11,747	\$	23,515	\$	25,173

Note: The estimated operating costs have been provided by the Airport Department and have not yet been fully analyzed by the Budget Office. That analysis may well result in different costs when the actual budget for the year in question is formulated.

Council-Approved Revisions to the Proposed Capital Improvement Program

During the June budget hearings, the City Council approved several changes to the Proposed Capital Improvement Program. The rebudgeting of \$56.0 million of unexpended funds for 44 projects was approved. In addition, the City Council approved the acceleration of a project to install a curfew enforcement camera system at the Airport (\$105,000). The City Council also approved the establishment of two new

projects for the design and installation of terminal apron lighting (\$300,000) and for a feasibility study of the On-Airport People Mover system (\$175,000). Funding in the amount of \$20,000 was accelerated into 2003-2004 for the ACM Site Preparation/RTR Demolition project, with a corresponding reduction in the Beginning Fund Balance for 2004-2005. The net change to the Ending Fund Balance was a reduction of \$475,000 to fund the new projects approved by Council.



2005-2009 Adopted Capital Improvement Program Attachment A - Operating Budget Impact

	2005-2006	2006-2007	2007-2008	2008-2009	
Airport Capital Program					
Air Cargo Screening			\$52,321	\$54,414	
Airport Boulevard Landscaping			\$158,712	\$165,060	
Central Plant Expansion		\$136,429	\$141,886	\$147,562	
Computerized Maintenance Management System	\$10,000	\$10,400	\$10,816	\$11,249	
Electrical Distribution System				\$57,892	
Equipment, Operating	, \$11,400	\$11,856	\$12,330	\$12,823	
Extend and Strengthen Runway 30L	\$80,249	\$83,459	\$86,797	\$90,269	
New Central Utility Plant				\$658,946	
North Concourse Building		\$11,500,000	\$23,000,000	\$23,920,000	
Security Identification Display Area (SIDA) Improvements			\$52,321	\$54,414	
Shared Use Ticket Counter and Gate Use Pilot Program	\$5,000	\$5,200			
Total Airport Capital Program	\$106,649	\$11,747,344	\$23,515,183	\$25,172,629	